

Title/Subject: **FACILITIES AND ADMINISTRATIVE COSTS: COLLECTION AND DISTRIBUTION**

Applies to: faculty staff students student employees visitors contractors

Effective Date of This Revision: July 1, 2019 (collection) and July 1, 2020 for 2019 – 20 fiscal year (distribution)

Contact for More Information: Office of Research and Graduate Studies

Board Policy Administrative Policy Procedure Guideline

BACKGROUND:

F&A costs, commonly called indirect costs, are charged on external grants and contracts to recover those costs incurred by CMU to conduct externally sponsored projects that cannot easily be identified and charged as a direct cost item in the budget of a grant or contract. These include the cost of providing and maintaining physical plant, utilities, library, as well as the administrative costs associated with proposal submission and post-award support. CMU's indirect rates are based on a periodic (3-4 year) negotiation with the federal government (the Department of Health and Human Services) and are based on documented costs and government-specified allowances.

PURPOSE:

This policy describes the collection and distribution of indirect revenues.

DEFINITIONS:

“Facilities and Administrative costs” (F&A costs) refer to costs allowed in state, federal and private grants and contracts which support those expenses of an institution that are not uniquely linked to the performance of a project, such as light and heat, library facilities, staff support and so forth. Such expenses are not covered by the direct charges allowed in the grant or contract. The policy applies to all grants and contracts, which are administered by the Office of Research and Graduate Studies and the Advancement Office.

POLICY:

Collection of F&A Costs

The following policy regarding collection of F&A costs applies to all proposals submitted on or after February 8, 2019 for proposals anticipated to be funded effective July 1, 2019 or later. As real expenses to CMU, F&A costs *must* be included in the budgets of proposals for grants and contracts. Sponsors may or may not specify F&A rates; CMU's policy is described below.

- 1) If a sponsor has a written policy or has issued proposal guidelines that place a limit on the percentage or amount of F&A costs that may be recovered on a grant or contract, then CMU will request F&A costs in accordance with the sponsor's requirements. The exception is that for-profit organizations will be charged the full federally-negotiated rate of 46.5%.

Authority: G. Ross, President

History: 12-1-03, 7-1-05, 1-1-09, 7-1-11, 7-1-19 (Collection) and 7-1-03, 7-1-06, 7-1-09, 7-1-20 (Distribution)

Indexed as: Facilities and Administrative Costs; Indirect Costs; IDC; Overhead

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- 2) If an F&A rate is not specified by a sponsor, then F&A costs will be requested as follows:
- a) *On-Campus Grants, Contracts and Sub-awards:* Effective July 1, 2019 F&A costs for on-campus projects will be requested at the CMU rate approved by the federal government. The current approved F&A rate for on-campus projects classified as organized research or instruction is 46.5% of Modified Total Direct Costs (MTDC). The rate for other sponsored activities, such as community outreach is 34% MTDC. MTDC does not include equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each sub-award to a third party in excess of \$25,000. (For example, if a proposal for an on-campus project requests \$300,000 in direct costs, including \$100,000 in equipment and \$50,000 for a subcontract, then F&A costs in the amount of \$81,375 will be requested – for a total budget request of \$381,375).
 - b) *Off-Campus Grants, Contracts and Sub-awards:* Effective July 1, 2019 F&A costs for off-campus projects will be requested at the CMU rate approved by the federal government. “Off-campus projects” are defined as projects for which all activities are performed in facilities not owned by CMU and to which rent is directly allocated to the project as a direct cost. The current approved F&A rate for off-campus projects is 26% of Modified Total Direct Costs (MTDC). As above, MTDC does not include equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, and the portion of each sub-award to a third party in excess of \$25,000. (For example, if a proposal for an off-campus project requests \$300,000 in direct costs, including \$100,000 in equipment and \$50,000 for a subcontract, then F&A costs in the amount of \$45,500 will be requested – for a total budget request of \$345,500.)
- 3) Exceptions to this policy may only occur if the Vice President for Research agrees to waive or reduce the F&A costs requested *prior* to the submission of a proposal. In such a case, it is incumbent upon the project director or principal investigator to demonstrate convincingly that charging the standard or allowable F&A rate will result in a noncompetitive proposal.

Distribution of F&A Costs

The policy regarding distribution of F&A costs maintains the principle that funds are to be used to promote research and creative activity at CMU, including strengthening the research infrastructure.

- a) Fifty-five percent (55%) to the Office of Research and Graduate Studies (ORGS).
- b) Forty-five percent (45%) to the cognizant dean's office or equivalent administrative unit.

This distribution will be re-negotiated when necessary by the Vice President for Research, the Provost and the Vice President for Finance and Administrative Services and will apply to all grants, contracts and cooperative agreements regardless of when they were awarded. This re-negotiation will also occur when a new rate is approved by the Department of Health and Human Services.

Exceptions and Special Cases

When circumstances warrant, the formula for the distribution of F&A costs recovered from an individual grant or contract may be modified with the approval of the Vice President for Research and the cognizant college dean(s) or equivalent administrative officer(s). Such arrangements must be agreed upon prior to submission of the proposal that generates the F&A costs in question.

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PROCEDURE:

At the end of each fiscal year the Office of Research and Graduate Studies, using data provided by Grant Accounting, will distribute to the academic deans and unit heads the F&A costs accrued as a result of external grant and contract activities in each of their respective units.

Central Michigan University reserves the right to make exceptions to, modify or eliminate this policy and or its content. This document supersedes all previous policies, procedures or guidelines relative to this subject.